

STATE OF COLORADO

DEPARTMENT OF HEALTH CARE POLICY & FINANCING

INSTRUMENT NO. _____

DATE OF SUBMITTAL _____

1. TYPE OF INSTRUMENT

☐ NEW INSTRUMENT

☐ AMENDMENT TO INSTRUMENT NO. _____

2. INSTRUMENT NO. (If applicable)

3. C.R.S. SECTION (447-250)

4. PAGE NUMBER OF THE INSTRUMENT OR ATTACHMENT

Attachment 4, 19A

Pages 12, 12b, 13a, 13b, 13c, 15, 15a and 15b

15c

Attachment 4, 19A

Page 12, 12b, 13a, 13b, 13c, 15, 15a and 15b

10. SUBJECT OF AMENDMENT:

Concerning Adjustments for Disproportionate Share Hospitals

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER AS SPECIFIED

As per Governor's letter dated Dec 14, 1999

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Marilyn E. Golden

13. TYPED NAME:

Marilyn E. Golden

14. TITLE:

Director, Operations and Finance Office

15. DATE SUBMITTED:

May 30, 2003

16. RETURN TO:

Colorado Department of Health Care Policy & Financing
1570 Grant Street
Denver, CO 80202-1818

Attn: Instr/Berm

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Department. An eligible hospital will receive a percentage of the appropriated dollars equal to that hospital's percentage of the self-pay and others patient day utilization, excluding Colorado Indigent Care Program days, adjusted for each facility's Colorado Medicaid fee-for-service case mix relative to all eligible hospitals.

3. Effective July 1, 2003, the payment adjustment, as described above in this subsection and commonly known as Pre-Component 1, is suspended.
4. Effective July 1, 2003, Hospitals deemed eligible for minimum disproportionate share payment and which participate in the Colorado Indigent Care Program will receive a Low-Income payment.
5. Effective July 1, 2003, Hospitals deemed eligible for minimum disproportionate share payment and which do not participate in the Colorado Indigent Care Program will qualify to receive a disproportionate share hospital payment commonly referred to as the "Low-Income Shortfall payment," which will be calculated on an annual State Fiscal Year (July 1 through June 30) basis and dispensed in equal quarterly installments.

As required by federal regulations this payment will not exceed the federal financial participation under the Disproportionate Share Hospital Allotment. The amount of total available funds is distributed by the facility specific Self Pay Days plus Other Paid Days and Medicaid Days (fee-for-service and managed care). The total available funds is multiplied by the hospital specific Self Pay Days plus Other Paid Days and Medicaid Days divided by the summation of Self Pay Days plus Other Paid Days and Medicaid Days for qualified providers to calculate the Low-Income Shortfall payment for the specific provider. Self Pay Days, Other Days and Medicaid Days will be reported by the provider for the most recent year for which data are available. As required by Social Security Act, Sec. 1923(g)(1)(A), no payment to a provider will exceed 100% of hospital specific uncompensated costs.

For this section, Self Pay Days, Other Paid Days, Medicaid Days and Total Days will be submitted to the Department directly by the provider by April 30 of each year. If the provider fails to report the requested Medicaid days, medically indigent days or total days to the Department the information will be collected from data published by the Colorado Health and Hospital Association in its most recent annual report available on April 30 of each year.

TN No. 03-011

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The funds available for the Low-Income Shortfall payment under the Disproportionate Share Hospital Allotment are limited by the regulations set by and federal funds allocated by the Centers for Medicare and Medicaid Services. Payments will be made consistent with the level of funds established and amended by the General Assembly, which are published in the Long Bill and subsequent amendments each year. Rate letters will be distributed to providers qualified to receive the payment each fiscal year and 30 days prior to any adjustment in the payment. Rate letters will document any change in the total funds available, the payment specific to each provider and other relevant figures for the specific provider so that providers may understand and independently calculate their payment.

Total funds available for this payment equal:

State Fiscal Year 2003-04 \$1,031,000

C. Colorado determination of Individual Hospital Disproportionate Payment Adjustment Associated with the Colorado Indigent Care Program and Bad Debt.

1. Effective July 1, 1993 Component 1 shall be superceded by a Disproportionate Share Adjustment payment method (herein described as Component 1a) which shall apply to any disproportionate share hospitals meeting the Medicaid inpatient utilization rate formula. This payment will apply to any disproportionate share hospitals meeting the Medicaid inpatient utilization rate formula of one or more standard deviations above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payment in the State (as described above in this subsection, disproportionate Share Hospital Adjustments, paragraph (A)). Hospitals meeting these criteria shall be eligible for an additional Disproportionate Share payment adjustment as follows:
 - i. Each facility will receive a payment proportional to the level of low income care services provided, as measured by 94% of the hospital's reported Colorado Indigent Care Program costs (as adjusted for Third Party payments), less Colorado Indigent Care Program patient payments and Colorado Indigent Care Programs reimbursements.
 - ii. For each hospital that qualifies under this section D, these amounts will be calculated based upon historical data and paid in 12 equal monthly installments. The basis for this calculation will be cost data published by the Colorado Indigent Care Program in its most recent available annual report available before rate setting by the Department for each upcoming State fiscal year. This cost data will be inflated forward from the year of the most recent available report (using the CPI-W, Medical Care for Denver) through June 30 of the fiscal year payment period. The Colorado Indigent Care Program costs, patient payments, and Program reimbursements will also be based upon information to be collected by the Colorado Indigent Care Program, subject to validation through the use of data from the Department and the Colorado Foundation for Medical Care, and/or independent audit. Aggregate disproportionate share hospital payments will not exceed the published disproportionate share hospital limitations.

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5. Effective July 1, 2003 the Disproportionate Share Hospital adjustment commonly referred to as "Component 1a" is suspended.
6. Effective June 1 through June 30, 1995, each facility will receive a Disproportionate Share Adjustment payment proportional to the level of low income care services provided, as measured by up to 200% of the hospital's reported Colorado Hospital Association bad debt costs. The basis for this calculation will be bad debt cost data published by the Colorado Hospital association in its most recent available annual report available before rate setting by the Department, inflated from the year of the annual report to June, 1995 using the Consumer Price Index-W for Denver Medical Care, reduced by the ratio of cost to charges from the most recent Colorado Indigent Care Program Annual Report, and reduced by estimated patient payments. This payment will apply to any disproportionate share hospitals meeting the Medicaid inpatient utilization rate formula of one or more standard deviations above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payment in the State (as described above in this subsection, Disproportionate Share Hospital Adjustment, paragraph (A)).
7. Effective from July 1, 1998, through September 30, 1998, and from October 1, 1998 through September 30, 1999, each facility will receive a Disproportionate Share Adjustment payment proportional to the level of low income care services provided, as measured by up to 100% of the hospital's bad debt costs. The basis for this calculation will be bad debt cost data published by the Colorado Hospital Association in its most recent available annual report before rate setting by the Department, inflated from the year of the annual report to the current year using the Consumer Price Index-W for Denver Medical Care, reduced by the ratio of cost to charges from the most recent Colorado Indigent Care Program Annual Report, reduced by Medicare and CHAMPUS payments, and reduced by estimated patient payments. The payments will be such that the total of all Disproportionate Share Adjustment payments do not exceed the Federal Funds limits as published in the Balanced Budget Act of 1997, of \$93 million in Federal Fiscal Year 1998, and \$85 million in Federal Fiscal Year 1999. A reconciliation to the Balanced Budget Act of 1997 will be done based on the aggregate of all Disproportionate Share Adjustment payments. This payment will apply to any disproportionate share hospitals meeting the Medicaid inpatient utilization rate formula of one or more standard deviations above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payment in the State (as described above in this subsection, Disproportionate Share Hospital Adjustments, paragraph (A)).

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8. Effective from September 1, 2000, through September 30, 2000, each government hospital will receive a Disproportionate Share Adjustment payment proportional to the level of low income care services provided, as measured by up to 100% of the hospital's bad debt costs. The basis for this calculation will be bad debt cost data published by the Colorado Hospital Association in its most recent available annual report before rate setting by the Department, inflated from the year of the annual report to the current year using the Consumer Price Index-W for Denver Medical Care, reduced by the ratio of cost to charges from the most recent Colorado Indigent Care Program Annual Report, reduced by Medicare and CHAMPUS payments, and reduced by estimated patient payments. The payments will be such that the total of all Disproportionate Share Adjustment payments do not exceed the Federal Funds limits as published in the Balanced Budget Act of 1997, of \$79 million in Federal Fiscal Year 2000. A reconciliation to the Balanced Budget Act of 1997 will be done based on the aggregate of all Disproportionate Share Adjustment payments. This payment will apply to any government disproportionate share hospitals meeting the Medicaid inpatient utilization rate formula of one or more standard deviations above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payment in the State (as described above in this subsection, Disproportionate Share Hospital Adjustments, paragraph (A)). Effective June 1, 2001, this bad debt Disproportionate Share Adjustment payment to government hospitals is extended to an annual basis, and is subject to the Federal Funds limits of the Balanced Budget Act of 1997, as amended by the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000. The limit for 2001 is \$81.765 million.
9. Effective July 1, 2003 the Bad Debt Disproportionate Share Adjustment payment to government hospitals is modified as follows and is commonly referred to as the "Bad Debt payment", which will be calculated on an annual State Fiscal Year (July 1 through June 30) basis and dispensed as an annual payment prior to June 30 of each state fiscal year. This payment is available to state owned Government Hospital providers whose percent of Medicaid days relative to total days equal or exceed one standard deviation above the mean, participate in the Colorado Indigent Care Program, and report Bad Debt to the Colorado Health and Hospital Association.

As required by federal regulations the sum of this payment, the Low-Income Shortfall payment and the Low-Income payment will not exceed the federal financial participation under the Disproportionate Share Hospital Allotment. The Bad Debt payment is only made if there is available federal financial participation under the Disproportionate Share Hospital Allotment after the Low-Income Shortfall payment and the Low-Income payment.

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The amount of available federal funds remaining under the Disproportionate Share Hospital allotment are distributed by the facility specific Bad Debt Costs relative to the sum of all Bad Debt Costs for qualified providers. Available Bad Debt charges are converted to Bad Debt costs using the most recent provider specific audited cost-to-charge ratio available as of March 1 each fiscal year. Bad Debt costs are inflated forward to the request budget year using the most recently available Consumer Price Index - Urban Wage Earners, Medical Care Index - Denver as of July.

Available funds under the Disproportionate Share Hospital Allotment are multiplied by the percentage resulting from dividing the hospital specific Bad Debt costs by the sum of all Bad Debt costs for qualified providers to calculate the Bad Debt payment for the specific provider. As required by the Social Security Act, Sec. 1923(g)(1)(A), no payment to a provider will exceed 100% of hospital specific Bad Debts costs.

The funds available for the Low-Income payment under the Medicare Disproportionate Share Hospital Allotment are limited by the regulations set by and the federal funds allocated by the Centers for Medicare and Medicaid Services. Payments will be made consistent with the level of funds established and amended by the General Assembly, which are published in the Long Bill and subsequent amendments each year. Rate letters will be distributed to providers qualified to receive the payment each fiscal year and 30 days prior to any adjustment in the payment. Rate letters will document any change in the total funds available, the payment specific to each provider and other relevant figures for the specific provider so that providers may understand and independently calculate their payment.

Total funds available for this payment equal:

State Fiscal Year 2003-04 \$621,000

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which the patients are predominantly under 18 years of age; or which does not offer non-emergency obstetric services as of December 21, 1987.

iv. Hospitals must participate in the Colorado Indigent Care Program, and must meet the separate annual audit requirements of the Colorado Indigent Care Program; and must supply data per the Colorado Indigent Care Program guidelines on total charges, total third party collections, total patient liability and write-off charges to the Colorado Indigent Care Program. Hospitals meeting these criteria shall be eligible for an additional Disproportionate Share payment adjustment as follows:

v. Each facility will receive a payment proportional to its uncompensated medically indigent costs, as calculated by the Colorado Indigent Care Program. These uncompensated costs will be calculated by taking total medically indigent charges, subtracting total third party collections and total patient liability to obtain write-off charges, and then multiplying write-off charges by the cost-to-charge ratio as defined by the Colorado Indigent Care Program, to calculate medically indigent write-off costs. The cost-to-charge ratio is defined by the Colorado Indigent Care Program as that cost-to-charge ratio calculated using the most recently submitted Medicare Cost Report for each hospital.

vi. For each hospital which qualifies under this section, these payments for indigent care costs will be calculated based upon historical data and the amount of funds appropriated annually by the General Assembly. The basis for this calculation will be cost data published by the Colorado Indigent Care Program in its most recent available annual report available before rate setting by the Department for each upcoming State fiscal year. This cost data will be inflated forward from the year of the most recent available report (using the CPI-W, Medical Care for Denver) through June 30 of the fiscal year payment period. The percentage of uncompensated cost reimbursed will be based on appropriations for Outstate Medically Indigent hospitals, but Government Outstate Disproportionate Share hospitals and Non-Government Outstate Disproportionate Share hospitals may have different calculated total reimbursement percentages of uncompensated costs. The Disproportionate Share hospital payment will not exceed uncompensated costs as defined in the Social Security Act, SEC.1923(g)(1)(A). Adjustments will be made to the monthly payments based on interim recalculations performed by the Colorado Indigent Care Program.

vii. Effective July 1, 2003, payments under this section E are suspended.

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F. Disproportionate Share Hospital Payment Associated with the Colorado Indigent Care Program

Effective July 1, 2003, hospitals with a percent of Medicaid days relative to total days equal to or greater than 1% and participate in the Colorado Indigent Care Program will qualify to receive a disproportionate share hospital payment commonly referred to as the "Low-Income payment", which will be calculated on an annual State Fiscal Year (July 1 through June 30) basis and dispensed in equal quarterly installments.

Available medically indigent charges (as published in the most recently available Colorado Indigent Care Program Annual Report) are converted to medically indigent costs using the most recent provider specific audited cost-to-charge ratio (as calculated from the audited Medicare/Medicaid cost report [CMS 2552]) available as of March 1 each fiscal year. Medically indigent costs are inflated forward to the request budget year using the most recently available Consumer Price Index - Urban Wage Earners, Medical Care Index - Denver as of July.

The request budget year medically indigent costs are weighted (increased) by the following factors to measure the relative Medicaid and low-income care to total care provided. Each provider's specific medically indigent costs are inflated (increased) by the following factors:

- a. Percent of Medicaid (fee-for-service and managed care) days relative to total inpatient days. For state owned government hospitals, this percent is not allowed to exceed one standard deviation above the arithmetic mean of the percent of Medicaid days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of the percent of Medicaid days relative to total inpatient days by the number of quantities in the set, such that the set contains all Medicaid providers that provide inpatient hospital services.
- b. Percent of medically indigent days relative to total inpatient days. For state owned government hospitals, this percent is not allowed to exceed one standard deviation above the arithmetic mean of the percent of medically indigent days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of percent of medically indigent days relative to total inpatient days by the number of quantities in the set, such that the set contains all Colorado Indigent Care Program providers that provide inpatient hospital services.

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The request budget year provider specific medically indigent costs are weighted (increased) by the following factors, if they qualify, to account for disproportionately high volumes of Medicaid and low-income care provided. If the provider qualifies, the provider specific medically indigent costs are further inflated (increased) by the following factors:

- a. **Disproportionate Share Hospital Factor.** To qualify for the Disproportionate Share Hospital Factor, the provider's percent of Medicaid days relative to total days must equal or exceed one standard deviation above the arithmetic mean of the percent of Medicaid days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of the percent of Medicaid days relative to total inpatient days by the number of quantities in the set, such that the set contains all Medicaid providers that provide inpatient hospital services.

If the provider does qualify, then the Disproportionate Share Hospital Factor will equal the provider's specific percent of Medicaid days relative to total inpatient days. For non-state owned government hospitals and privately owned hospitals, the Disproportionate Share Hospital Factor is equal to the provider's specific percent of Medicaid days relative to total inpatient days doubled. For state owned government hospitals, the Disproportionate Share Hospital Factor is not allowed to exceed one standard deviation above the arithmetic mean of the percent of Medicaid days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of percent of the Medicaid days relative to total inpatient days by the number of quantities in the set, such that the set contains all Medicaid providers that provide inpatient hospital services. If the provider does not qualify, then the Disproportionate Share Hospital Factor would equal one, or have no impact.

- b. **Medically Indigent Factor.** To qualify for the Medically Indigent Factor, the provider's percent of medically indigent days relative to total inpatient days must equal or exceed the arithmetic mean of the percent of medically indigent days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of the percent of medically indigent days relative to total inpatient days by the number of quantities in the set, such that the set contains all Colorado Indigent Care Program providers that provide inpatient hospital services.

If the provider does qualify, then the Medically Indigent Factor equals the provider specific percent of medically indigent days relative to total inpatient days. For non-state owned government hospitals and privately owned hospitals, the Medically Indigent Factor is equal to the provider's specific percent of medically indigent days relative to total inpatient days doubled. For State Owned facilities, the Medically Indigent Factor is not allowed to exceed one standard deviation above the arithmetic mean of the percent of medically indigent days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of the percent of medically indigent days relative to total inpatient days by

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the number of quantities in the set, such that the set contains all Colorado Indigent Care Program providers that provide inpatient hospital services. If the provider does not qualify, then the Medically Indigent Factor would equal one, or have no impact.

There will be two allotments for the Low-Income payment: state owned government hospitals plus non-state owned government hospitals, and privately owned hospitals. For state-owned government hospitals plus non-state owned government hospitals, the allotment is the available federal financial participation under the Disproportionate Share Hospital Allotment after the Low-Income Shortfall payment, while for privately owned hospitals the allotment is further limited by the level of General Fund established and amended by the General Assembly.

The available allotments under the Disproportionate Share Hospital Allotment are multiplied by the hospital specific Weighted Medically Indigent Costs divided by the summation of all Weighted Medically Indigent Costs for qualified providers in each specific allotment to calculate the Low-Income payment for the specific provider. As required by the Social Security Act, Sec. 1923(g)(1)(A), no payment to a provider will exceed 100% of hospital specific Medically Indigent costs.

For this section, Medicaid days, medically indigent days and total inpatient days will be submitted to the Department directly by the provider by April 30 of each year. If the provider fails to report Medicaid days, medically indigent days or total days to the Department the information will be collected from data published by the Colorado Health and Hospital Association in its most recent annual report available on April 30 of each year.

As required by federal regulations the sum of this payment and the Low-Income Shortfall payment will not exceed the federal financial participation under the Disproportionate Share Hospital Allotment. The Low-Income payment is made only if there is available federal financial participation under the Disproportionate Share Hospital Allotment after the Low-Income Shortfall payment.

The funds available for the Low-Income payment under the Medicare Disproportionate Share Hospital Allotment are limited by the regulations set by and the federal funds allocated by the Centers for Medicare and Medicaid Services. Payments will be made consistent with the level of funds established and amended by the General Assembly, which are published in the Long Bill and subsequent amendments each year. Rate letters will be distributed to providers qualified to receive the payment each fiscal year and 30 days prior to any adjustment in the payment. Rate letters will document any change in the total funds available, the payment specific to each provider and other relevant figures for the specific provider so that providers may understand and independently calculate their payment.

Total funds available for this payment equal:
State Fiscal Year 2003-04 \$150,285,000

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